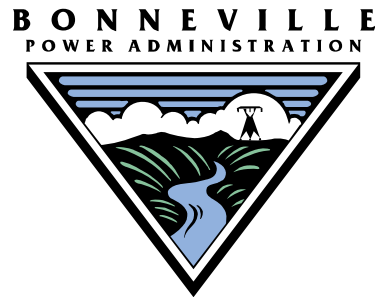


2006 Programs In Review Technical Workshop *For 2008-09 Rate Period*

Operational Excellence

July 11, 2006



Financial Status

Financial Highlights

FY2006 Financial Performance as of May 31, 2006

SUMMARY OF FINANCIAL RESULTS

- **Monthly Financial Performance** – May generated **net revenues** of \$14M. Revenues on an accounting basis were \$71M, about \$6M better than expected based on the 2nd Quarter forecast. Revenue increase was a catch-up of previous revenues earned that were not recorded due to timing and accrual changes. **Operating expenses** of \$34M were **\$6M greater** than the 2nd quarter forecast. The increase was attributed to reimbursable expenses, one time charges and timing issues.
- **Monthly Capital Spending** was \$18.3M or \$3.5M under expectations. Direct project expenditures were \$13M versus the estimate of \$16M.

Financial Highlights

FY2006 Financial Performance as of May 31, 2006

SUMMARY OF FINANCIAL RESULTS (continued)

- **Fiscal-year-to-date or after eight months performance** - Financial performance was better than expected by \$7M versus the 2nd quarter forecasts. Net revenues increased to \$67M with May's \$13.6M positive net revenue performance.
- **Revenues** on an accounting basis are \$23M higher than start-of-year plan and \$9M better than 2nd quarter forecast. On a billing or performance basis, revenues are slightly higher than the accounting records.
- **Fiscal-year-to-date operating expenses** are \$2M higher than expected. Net interest and depreciation are tracking the 2nd quarter forecast. However, there are some revenue and operating expenses adjustments that are waiting to be processed.

Financial Highlights

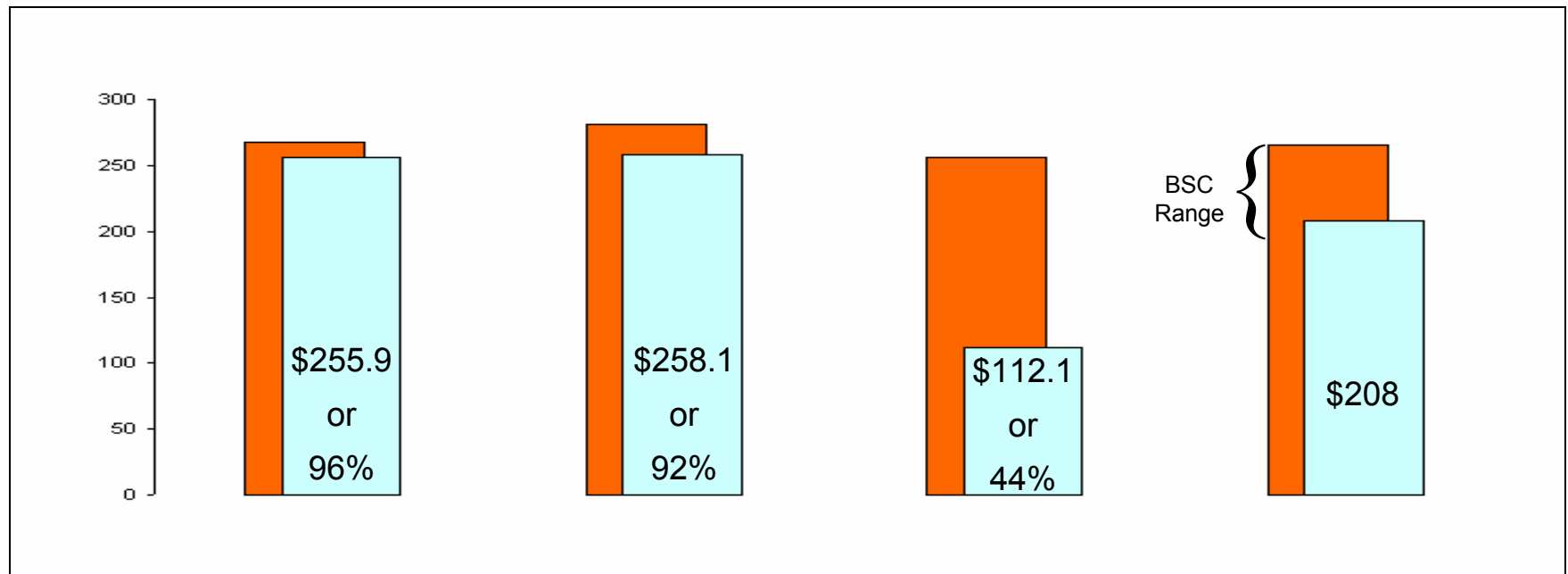
FY2006 Financial Performance as of May 31, 2006

SUMMARY OF FINANCIAL RESULTS (Continued)

- **Fiscal-year-to-date Capital Spending** - After eight months, \$112.1M spending (44%) was less than anticipated based on the work authorized to date excluding capital to expense transfers made for HVAC, roof, and spacer damper replacements. Spending authorized is tracking with the lower end of the BSC target. Of the \$36.7M authorized to spend on wind project integration, 36% has been completed.
- **Construction/Reimbursable Non-Direct Rates** were revised in March due to the lower EOY capital forecast, not loading the spacer damper program, and transferring prior year costs back to the non-direct pool. The composite rate went from 39% to 55%. The change has caused considerable business problems with customers and internal program staff. A new pricing strategy is being explored for FY 2007 to provide more predictable and reasonable rates.

FY 2006 Capital Program, May 31, 2006 (\$ in Millions)

(A)	(B) ^{2/} & ^{3/}	(C) ^{3/}	(D)
BOB Allocation	Mgmt Control	Authorized	\$202 to \$265
= \$267.4	= \$281.3	= \$255.9	BSC Target



FY 06
Spending Authorized

FYTD 06
Projects Approved

FYTD 06
Actuals

2nd Quarter Forecast
\$200 to \$215
No Change

^{1/} Capital Scoring Against Borrowing Authority Plus Revenue & 3rd Party Financing

^{2/} Slippage Factor 15%

^{3/} Includes Spacer Dampers and Funding Authorized for Customer Financed Projects

FY 2006 Financial Plan Capital Summary, May 31, 2006





<u>SOURCE</u>	<u>FUNDING</u>
Congressional Budget - FY 2006	\$393.9 Million
OMB Budget- FY 2007 for FY 2006	\$267.6 Million
Rate Case	
- PIR Close Out	\$322.1 Million
- Set Rates	\$268.6 Million
BPA Allocation to TBL	\$267.4 Million
Projects Authorized to date by TBL	\$255.9 Million
Projects Approved for Funding	\$258.1 Million
Balanced Scorecard Target Rang	\$202 - \$265 Million
May EOY Expenditure Forecast	\$200 - \$215 Million

Note: The funding amounts are adjusted for start-of-year “J,” traditional PFIA, and
Includes Spacer Dampers.

Income Statement Analysis

May 31, 2006

(\$ in Millions)

	(A)	(B) ^{1/}	(C)	(D)	(E)	(F) ^{2/}	(G) ^{3/}
	FY 2005	FY 2006	FY 2006	May	FY 2006	EOY	% Variance
	<u>Actuals</u>	<u>Rate Case</u>	<u>SOY</u>	<u>Actuals</u>	<u>FYTD</u>	<u>Forecast</u>	<u>E/C</u>
1. Operating Revenues	634.5	728.4	728.1	71.4	510.8	751.1	70.2
Minus: 							
2. Operating Expenses	<u>333.6</u>	<u>355.2</u>	<u>358.6</u>	<u>33.7</u>	<u>237.2</u>	<u>365.3</u>	66.1
Equals: 							
3. Net Operating Margin	301.0	373.1	369.5	37.7	273.6	385.8	74.0
Less: 							
4. Depreciation	189.5	195.9	183.4	12.9	114.4	174.0	62.4
and							
5. Net Interest	<u>135.8</u>	<u>151.7</u>	<u>146.2</u>	<u>11.2</u>	<u>92.2</u>	<u>137.3</u>	63.1
Equals: 							
6. Net Revenues	-24.3	25.5	39.9	13.6	67.0	74.5	167.9

^{1/} Rate Case Reconstituted for Organization Changes and to Include Generation Supplied Reactive and Reimbursable Services.

^{2/} Based on 2nd Quarter Review. ^{3/} 66.7% of Fiscal Year Elapsed.

Financial Highlights

FY2006 Financial Performance as of May 31, 2006

FINANCIAL ANALYSIS – FISCAL-YEAR-TO-DATE

- **TBL's financial position** of \$67M net revenues after eight months is about \$7M better than expected for fiscal-year-to-date based on the latest updates for 2nd quarter and \$27M better than start of year forecast. May's financial performance added \$13.6M to net revenues. Higher revenues continue to be the key factor for FY 2006.

Other comments are:

- i. Continued cost pressures from expense items that were previously charged as capital.
- ii. A \$1.4M downward adjustment in revenues is anticipated associated with the PBL that captures the final revision of the LTF Canadian Entitlement Agreement.
- iii. Reimbursable work continues at a high level.
- iv. Chief Jo-Sickler Line restoration costs initially charged to capital should be expensed in 3rd quarter, approximately \$1.3M.
- v. KEMA contract accrual of \$1.2M was recorded in May.

Financial Highlights

FY2006 Financial Performance as of May 31, 2006

FINANCIAL ANALYSIS – FISCAL-YEAR-TO-DATE (Continued)

- **Transmission revenues** on an accounting basis for May were \$6M to \$9M higher than expected but some of the difference is due to timing factors. Fiscal-year-to-date revenues are \$511M or \$23M higher than the start-of-year revenue forecast.
 - i. On a performance basis, after correcting for a known future adjustment, fiscal year-to-date revenues are ahead of the start-of-year forecast by about \$24.2M
 - ii. Weather, new service, and water availability for surplus sales were key factors affecting sales

Sales on a performance basis through May were about \$10.7M better than the 2nd quarter forecast. Some of this increase has not been recognized in the accounting records to date.

Financial Highlights

FY2006 Financial Performance as of May 31, 2006

FINANCIAL ANALYSIS – FISCAL-YEAR-TO-DATE (Continued)

- **Transmission programs operating expenses** are slightly lower than expected except for the reimbursable expenses and capital to expense shifts for work that was previously capital. The end-of-the-year forecast was changed at 2nd quarter to \$365.3M. The Chief Jo-Sickler transmission line restoration (estimated @ \$1.3M) from storm damage has not been expensed yet. \$1.2M was paid for the KEMA contract. TBL requested that the previous expensing or write-off of \$2.2M inspection/design/assessment costs associated with spacer dampers be further reviewed for inclusion as a regulatory asset.
- **Corporate G&A distributions** and **Shared Services** are under-running the 2nd quarter forecast after 8 months by about \$6M. The under run is consistent with historical spending. Mid-year actual costs included \$1.2M adjustment for write-off of deferred costs related to Grid West. The 2nd quarter forecast was unchanged from the 1st quarter. Spending levels to date would suggest lower corporate costs than forecasted for the 2nd Quarter.

Financial Highlights

FY2006 Financial Performance as of May 31, 2006

FINANCIAL ANALYSIS – FISCAL-YEAR-TO-DATE (Continued)

- **Depreciation** costs are tracking the 2nd quarter forecast. An adjustment was made for the 1st quarter forecast to lower the end-of-year forecast by \$9.4M to \$174M. The 2nd quarter forecast did not change this adjustment. The Schultz-Wautoma line and substation were put in Plant-in Service in March resulting in a slight increase in monthly depreciation.
- **Net interest expense** is trending slightly lower after 8 months. The end-of-year forecast was decreased by \$6.4M with the 1st quarter forecast of \$139.8M. For 2nd quarter, the forecast was decreased an additional \$1.2M to \$137.3M.
- **Financial targets** will be met or bettered. Targets are Internal Operating Cost, Net Operating Margin, Net Revenue and Capital Program spending. The expensing of costs related to certain capital replacement projects and non-direct costs have had a minimal affect on the targets to date.

Follow up on Customer Questions

Programs in Review Capital Workshop

	<u>Page</u>
▪ Rules of Thumb for Rate Effects	17
▪ Timeline for Capital	19
▪ Capital Budget Process	21-27
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▪ Ranking of Capital Projects	32-33
▪ Examples Review documents of Projects	35-37
▪ Capital Investments for FY08 and FY09	39-44
▪ Capital Comparisons of Actuals Compared to Rate Case	46-50

Rule of Thumb Rate Effect

Rate Rule of Thumb

(\$ in Millions)

A	B	(A X B) = C	D	(A / D) = E	(C + E) = F
Capital Investment	Interest	Interest Expense/yr	Depreciation Life	Depreciation Expense/yr	Total Annual Expense
\$ 100.0	5.30%	\$ 5.3	5	\$ 20.0	\$ 25.3
\$ 100.0	5.30%	\$ 5.3	15	\$ 6.7	\$ 12.0
\$ 100.0	5.30%	\$ 5.3	20	\$ 5.0	\$ 10.3
\$ 100.0	5.30%	\$ 5.3	40	\$ 2.5	\$ 7.8

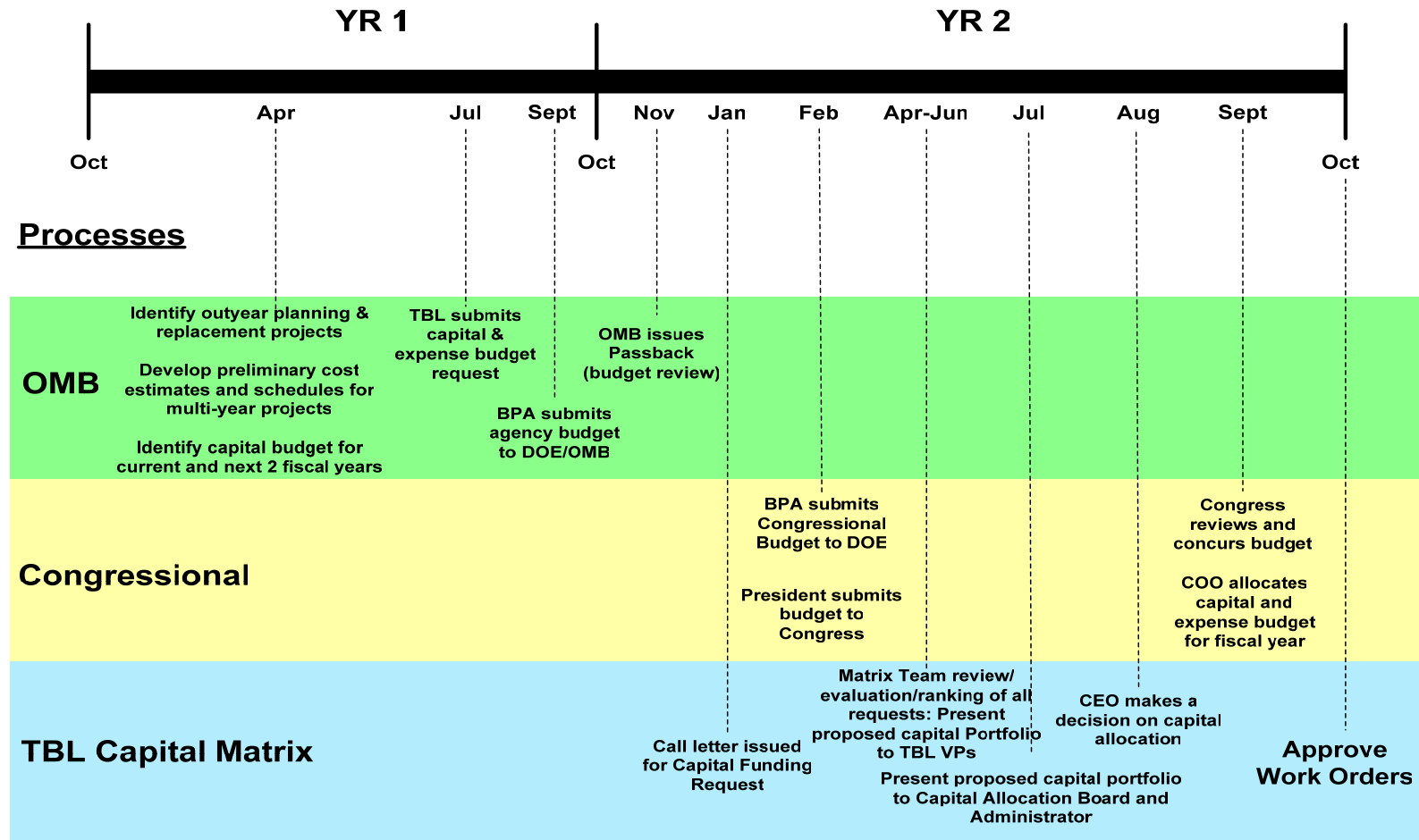
Rule of Thumb rate effect for Transmission:

For every \$6.4M Expense change, the rate change will equal 1%

Capital Timeline

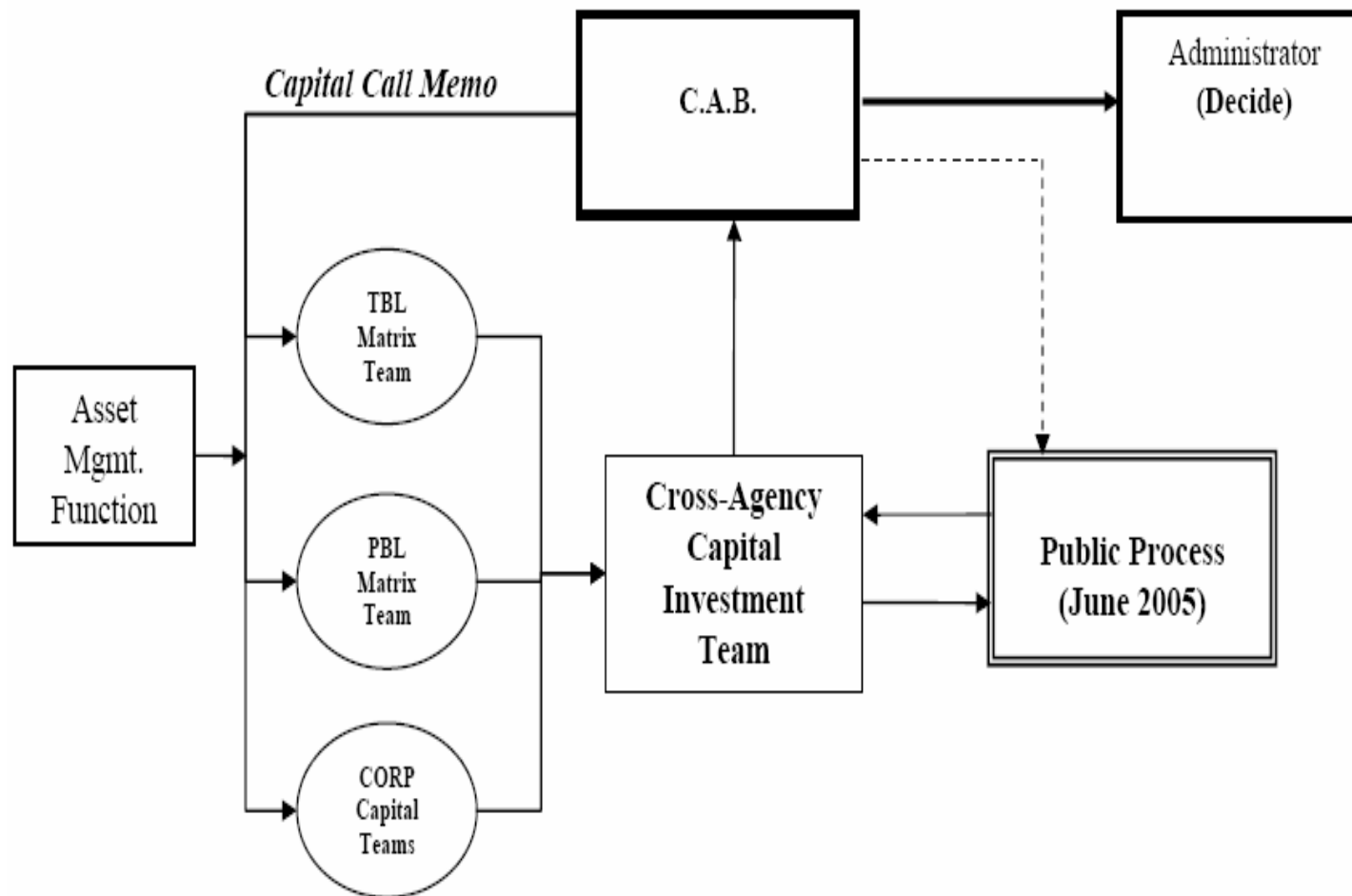
Timeline for Capital Budgeting

BPA CAPITAL BUDGETING PROCESS

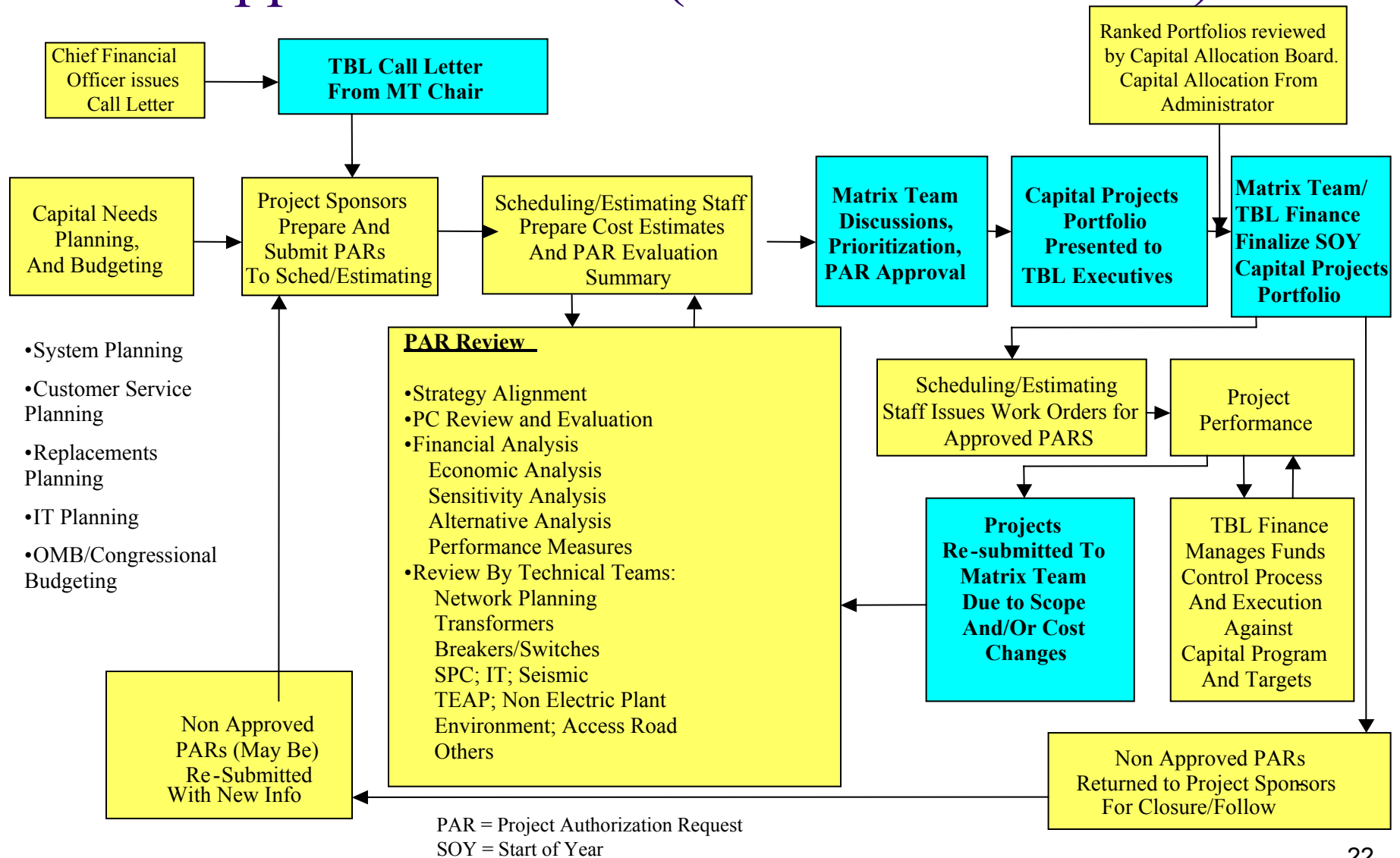


Capital Process

New Capital Process



TBL Capital Projects Review and Approval Process (The Matrix Process)



Financial Controls

- **Budgets (OMB and Congressional Processes)**
- **Agency Capital Allocation**
- **Operating Year Targets**
- **(External) Technical Review Board on Capital Projects**
- **Matrix Team Review and Approval of Capital Projects**
- **Project Scheduling and Estimating**
- **Work Order System and (Cost Overrun) Controls**
- **Periodic Review of Projects Needs and Costs**
- **VPs and Managers Performance Contracts**

Project Review and Approval

- TBL Technical reviews by network planners, operations and maintenance experts, customer service engineers, and other specialists
- External technical reviews by utility experts and stakeholder groups in special sessions such as the ITRC (Infrastructure Technical Review Committee; <http://www.transmission.bpa.gov/PlanProj/ITRC.cfm?page=ITRC>) or rate case forums
- TBL business review by capital matrix board
- TBL and BPA management review of projects or portfolio of projects

Capital Process for Matrix Team

- Project Authorization Request (PAR) is used for submittal of a capital project proposal
- Approved PARs are funded in BPA's official financial system (Business Enterprise System) and tracked for internal control purposes.
- Projects have a plan of service and cost estimates when presented to the Matrix Team.
- The Matrix process for rating capital projects will continue to apply capital planning using the same drivers and rating criteria that was used in prior years process.

Capital Process for Matrix Team (Continued)

- Ensure plan of service is developed
- Prepare official cost estimates
- Coordinate with affected functional areas and technical teams
- Review business justifications and financial responsibility
- Align with strategies
- New common portfolio/project evaluation form.
- Projects are lined up against the agency investment drivers (strategies).
 - Financial
 - Regional Accountability
 - Environment
 - Reliability
 - Legal
 - Safety
- All Portfolios:
 - Include loaded capital
 - Were evaluated using a common agency scale for risk assessment by “Likelihood” and “Consequence” on a 1 – 5 scale
 - Were prioritized and ranked by rating criteria and risk reduction
- A list of ranked portfolios will be given to the CAB for review.
- All portfolios have Economic Analysis and Risk Assessments

FY07 TBL Portfolios

<p>➤ Main Grid:</p> <ul style="list-style-type: none"> ▪ NERC Compliance ▪ Specific Projects ▪ System Reactive Facilities 	<p>➤ Area & Customer Service:</p> <ul style="list-style-type: none"> ▪ Misc. Capital Additions for Wind Projects ▪ Other Customer Service Items ▪ Specific Projects
<p>➤ System Replacements:</p> <ul style="list-style-type: none"> ▪ Aircraft/Helicopter Replacements ▪ Breaker Replacements ▪ CT Replacements ▪ CVT/PT Replacements ▪ DATS Replacements ▪ Misc. Substation Replacements ▪ Non-Electric Plant ▪ Radio Replacements ▪ Relay Replacements ▪ Spacer Damper Replacements ▪ Switch Replacements ▪ Tools/Equipment ▪ Transfer Trip Replacements ▪ Transformer Replacement ▪ Transmission Line replacements ▪ Wood Pole Replacements 	<p>➤ Upgrades & Additions:</p> <ul style="list-style-type: none"> ▪ Access Roads ▪ CC Systems ▪ Communications ▪ Fiber Optics and Terminals ▪ Misc. Line Additions ▪ Misc. Sub. Additions ▪ Security Enhancements ▪ Specific Projects ▪ System Controls
<p>➤ Environment:</p> <ul style="list-style-type: none"> ▪ Restoration & Remediation ▪ Spill Control 	

PFIA (Tracked Separately)

- Customer Financed
- Third Party
- Specific Projects

Rating and Strategies for Capital Projects

Capital Projects Strategies

- The following is a list of the strategies used to review the capital projects:
 - ✓ Grid Reliability
 - ✓ Availability
 - ✓ Sufficiency / Adequacy
 - ✓ Environment
 - ✓ Safety
 - ✓ Internal Operations

Note: A more detailed description/definition of these drivers are included in the Appendix

Capital Project Proposals Rating Criteria

- The ranking criteria address both probability of event and consequence thereof.

Probability Score

- | | |
|---|--|
| 4 | Known that it will definitely occur this year |
| 3 | High Probability of Occurrence or Need this year |
| 2 | Medium Probability of Occurrence or Need |
| 1 | Low Probability of Occurrence or Need |

Consequence Score

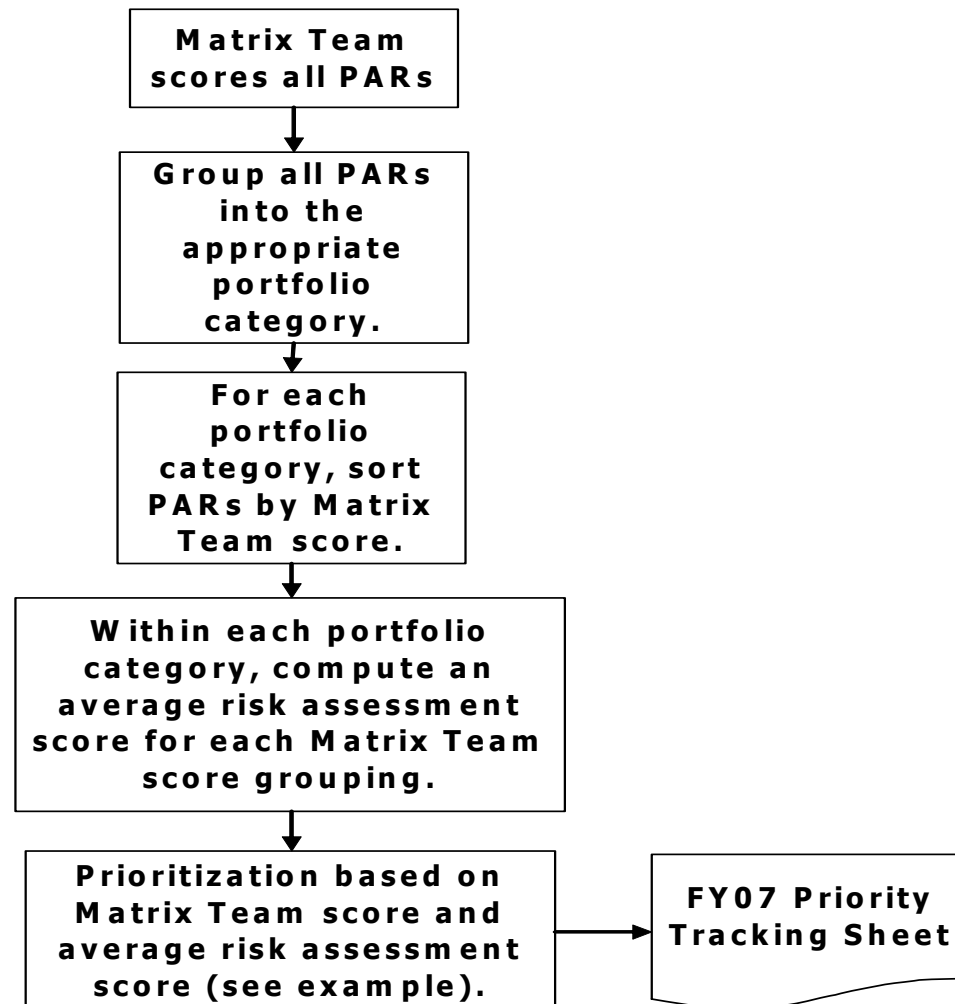
- | | |
|---|-----------------|
| 4 | Unacceptable |
| 3 | Highly Unwanted |
| 2 | Unwanted |
| 1 | Minimal Impact |

The total ranking of a project proposal is the sum of the two scores.
It has the range of 2 (lowest priority) to 8 (highest priority).

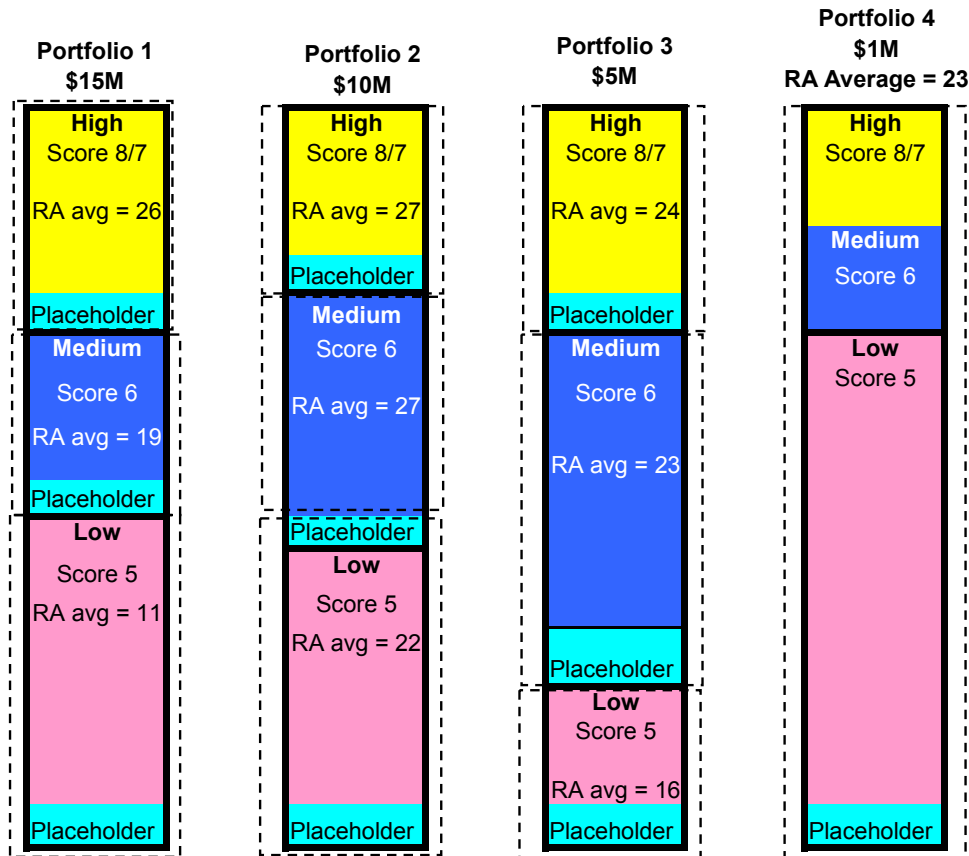
Note: A more detailed description/definition of these criteria are included in the Appendix.

Prioritization of Capital

Prioritization Steps



Prioritization Example



= Template

Prioritization:

1. P2 – MT score 8/7 – RA 27
2. P1 – MT score 8/7 – RA 26
3. P3 – MT score 8/7 – RA 24
4. P2 – MT score 6 – RA 27
5. P3 – MT score 6 – RA 23
6. P1 – MT score 6 – RA 19
7. P4 – Avg. MT score 5.5 – Avg. RA 23
8. P2 - MT score 5– RA 22
9. P3 – MT score 5 – RA 16
10. P1 – MT score 5 – RA 11

Notes:

- * Portfolios >\$3M in total are broken out into H/M/L portfolios
- * Portfolio \$ included for new starts are the cumulative of all the PAR's reviewed by Matrix Team by 06/02/06
- * Each portfolio is made up of FY07 New Starts and contain placeholders for:
 - a) PARs that have not been reviewed/scored by the Matrix Team
 - b) Forecasted PAR's that may emerge during FY07 (10/01/06 thru 9/1/07) based on historical averages
- * Emergency Funds are not included since it is assumed that these funds will be held at the agency level
- * Every individual PAR >\$250K has its own RA score
- * TMF computed a RA score for each template based on the average of the calculated Risk Reduction of each of the PARs included in the grouping.
- * Prioritization of capital projects was determined by combining the Matrix Team scores (8,7,6, et.) and RA scores for each portfolio.

Capital Evaluation Example

Example of Matrix Team Rating and Ranking

Category	Sub Category	PAR Num	Project Name	MT Score	FY07 Capital Cost	Risk Reduction Score	Do Score	Don't Score
Area & Customer Service	Other Customer Service Items	3348	CITY OF MONMOUTH NEW SOUTH SUBSTATION LINE TAP AND METERING	7	\$ 25,000			
Environment	Spill Control	3387	CHEHALIS: INSTALL STORMWATER TREATMENT SYSTEMS	8	\$ 202,000	22	15	37
		3388	BELLINGHAM: INSTALL STORMWATER TREATMENT SYSTEMS	8	\$ 126,000	22	15	37
		3394	TROUTDALE: INSTALL STORMWATER TREATMENT SYSTEM	8	\$ 501,000	22	15	37
		3395	LONGVIEW: INSTALL STORMWATER TREATMENT SYSTEM	8	\$ 261,000	22	15	37
		3397	CUSTER: INSTALL STORMWATER TREATMENT SYSTEMS	8	\$ 300,000	22	15	37
		3398	LANE: INSTALL STORMWATER TREATMENT SYSTEMS	8	\$ 76,000	22	15	37
		3399	MOUNTAIN AVENUE: INSTALL STORMWATER TREATMENT SYSTEMS	8	\$ 61,000	22	15	37
		3400	SALEM INSTALL STORMWATER TREATMENT SYSTEMS	8	\$ 101,000	22	15	37
Main Grid	NERC Compliance	3618	BPA System-- REPLACE ROCHESTER INSTRUMENT DIGITAL FAULT RECORDERS	6	\$ 1,707,000	22	13	35
System Replacements	Breaker Replacement	3448	FY 2007 BREAKER REPLACEMENTS DUE TO SHORT CIRCUIT CAPABILITY	7	\$ 1,324,000	16	14	30
		3354	KITSAP SUB - REPLACE PCB B-950 AND DISTANCE RELAY	6	\$ 278,000	11	13	24
		3645	ASHE SUBSTATION, REPLACEMENT OF GE 230-KV PCB O-803 (A-401)	6	\$ 253,000	20	13	33
		3503	ASHE SUBSTATION - REPLACE 230-KV PCB #O-99967	4	\$ 244,000	18	13	31
	DATS Replacement	3335	DATS REPLACEMENT PHASE 3 - ASHE, SICKLER, SNOHOMISH	7	\$ 440,000	31	18	49
	Misc. Substation Replacement	3454	ASHE SUB - REPLACE HEATER BUS FEEDER CABLE	7	\$ 51,000	16	15	31
		3459	HANFORD SUB - REPLACE CONTROL WIRING	7	\$ 64,000	16	15	31
		3662	VARIOUS LOCATIONS - SYSTEM WIDE ROD GAP & ARRESTER REPLACEMENTS	7	\$ 1,100,000	16	15	31
		3340	TFS - FOSTER CREEK CHARGER REPLACEMENT	6	\$ 17,000	24	12	36
		3513	CHIEF JOSEPH SUB - REPLACE 500KV BREAKER CONTROLS	6	\$ 406,000	24	12	36
		3523	BRIDGE SUBSTATION REPLACE TERMINAL PRINTER	6	\$ 30,000	24	12	36
		3525	HEYBURN SUBSTATION REPLACE TERMINAL PRINTER	6	\$ 30,000	24	12	36
		3526	SWAN VALLEY SUBSTATION REPLACE TERMINAL PRINTER	6	\$ 30,000	24	12	36
		3527	DRUMMOND SUBSTATION REPLACE TERMINAL PRINTER	6	\$ 30,000	24	12	36
		3529	TARGHEE SUBSTATION REPLACE TERMINAL PRINTER	6	\$ 30,000	24	12	36
		3530	WESTSIDE SUBSTATION REPLACE TERMINAL PRINTER	6	\$ 30,000	24	12	36
		3531	LOST RIVER SUBSTATION INSTALL GE IP-SERVER	6	\$ 30,000	24	12	36
		3532	MACKS INN SUBSTATION INSTALL GE IP-SERVER	6	\$ 30,000	24	12	36
		3533	TETON SUBSTATION INSTALL GE IP-SERVER	6	\$ 30,000	24	12	36
		3423	FY2007 115KV DISCONNECT SWITCH REPLACE BASED ON FAULT DUTY DATA	5	\$ 30,000	15	12	27
		3437	00003437 FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 40,000	15	12	27
		3624	BADGER CANYON SUB. AND REEDSPORT SUB. - REPLACE BETAC SCADA'S	5	\$ 406,000	15	12	27
	Non-Electric Plant	3467	SALEM SUBSTATION INSTALL ELECTRICAL BARRIER FENCING	7	\$ 52,000	10	12	22
		3313	SANTIAM SUBSTATION CONTROL HOUSE INSTALL HVAC	6	\$ 103,000	7	12	19
		3315	SALEM SUBSTATION CONTROL HOUSE INSTALL HVAC	6	\$ 106,000	7	12	19
		3524	KITSAP SUB INSTALL HVAC	6	\$ 104,000	7	12	19
		3319	CHEMAWA MAINTENANCE COMPLEX AND CONTROL HOUSE INSTALL CITY SEWER	2	\$ 143,000	n/a	n/a	n/a
	Radio Replacement	3369	MW ANALOG REPLACEMENT (PUGET, CAPITOL PEAK, RAINIER AREA)	7	\$ 1,630,000	14	17	31
		3463	ANALOG TO DIGITAL MIGRATION IN BIG EDDY DISTRICT	7	\$ 550,000	14	16	30
		3536	PORTLAND AREA ANALOG RADIO RETIREMENTS AND CIRCUIT MOVES	7	\$ 500,000	12	21	33
		3535	B MICROWAVE SYSTEM RETIREMENT & UPPER Q MICROWAVE RECONFIGURATION	7	\$ 2,030,000	16	23	39
	Relay Replacement	3279	HAPPY VALLEY OVERCURRENT RELAY REPLACEMENT	6	\$ 38,000	1	13	14
		3284	LONGVIEW SUBSTATION PCB AND RELAY REPLACEMENT	4	\$ 59,000	1	13	14
		3491	BRIDGE SUBSTATION - RELAY REPLACEMENT B-49 & B-22	4	\$ 191,000	1	13	14
		3492	HEYBURN SUBSTATION - RELAY REPLACEMENT B-1782 & B-1822	4	\$ 191,000	1	13	14
		3493	MT. HOME SUBSTATION - LINE RELAY REPLACEMENT 103A	4	\$ 96,000	1	13	14
		3494	UNITY SUBSTATION - RELAY REPLACEMENT B-1750 AND B-1765	4	\$ 191,000	1	13	14

Example of Matrix Team Rating and Ranking (Continued)

Category	Sub Category	PAR Num	Project Name	MT Score	FY07 Capital Cost	Risk Reduction Score	Do Score	Don't Score
	Switch Replacement	3565	REDMOND HARNEY 115KV LINE DISCONNECT REPLACEMENTS	7	\$ 162,000	19	13	32
		3657	VARIOUS LOCATIONS - 115KV CIRCUIT SWITCHER MAINTENANCE REPLACEMENT	6	\$ 927,000	19	13	32
		3429	FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 55,000	21	14	35
		3430	00003430 FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 170,000	21	14	35
		3431	00003431 FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 104,000	21	14	35
		3433	00003433 FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 52,000	21	14	35
		3434	00003434 FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 52,000	21	14	35
		3435	00003435 FY2007 DISCONNECT SWITCH REPLACEMENTS BASED ON FAULT DUTY DATA	5	\$ 240,000	21	14	35
	Transfer Trip Replacement	1827	TRANSFER TRIP REPLACEMENT (PHASE-3; YEAR-2007)	7	\$ 112,000	19	13	32
	Transmission Line Replacement	3546	FY07 NON-CERAMIC INSULATOR REPLACEMENT PROGRAM	6	\$ 301,000	10	13	23
Upgrades & Additions	Wood Pole Replacement	3450	PALISADE - GOSHEN UPGRADE FROM 115 KV TO 161 KV	7	\$ 4,349,000	17	23	40
		3540	FY 07 WOOD POLE REPLACEMENTS	7	\$ 4,375,000	13	13	26
	CC Systems	3556	DITTMER - (CCGO) DIGITAL VOICE RECORDER REPLACEMENT	7	\$ 226,000	0	0	0
		3584	DITTMER - (CCGO) DISPATCH RENOVATION	7	\$ 4,310,000	19	16	35
		3588	DITTMER - (CCGO) SEQUENTIAL EVENTS MONITOR MASTER UPGRADE	6	\$ 376,000	16	15	31
		3596	DITTMER - (CCGO) DTF NETWORK INFRASTRUCTURE UPGRADE	6	\$ 362,000	8	18	26
		3602	DITTMER - (CCGO) BADGER MICROWAVE ALARM MASTER Upgrade	6	\$ 391,000	11	21	32
		3600	CONTROL CENTER -- CENTRALIZED BACKUP STORAGE SYSTEM	5	\$ 277,000	0	12	12
		3605	DITTMER - (CCGO) SCADA HISTORICAL INFORMATION PLATFORM UPGRADE	5	\$ 193,000	0	12	12
	Communications	3544	FUEL CELL AT NASELLE RIDGE RS	7	\$ 27,000			
		3507	VANTAGE SUB - Install FIN NETWORK	6	\$ 44,000	3	12	15
		3509	CHIEF JOSEPH SUB - Install FIN NETWORK	6	\$ 68,000	3	12	15
		3378	4 DIGIT DIALING MIGRATION	3	\$ 63,000	n/a	n/a	n/a
	Fiber Optics and Terminals	3440	SIFTON SUBSTATION - #RC SONET RING EXPANSION	7	\$ 300,000	13	18	31
	Misc. Line Additions	3308	UNDERWOOD TAP TO BONNEVILLE-ALCOA 115 KV RELIABILITY IMPROVEMENT	6	\$ 316,000	16	13	29
	Misc. Sub. Additions	3230	ASHE SUBSTATION - DEVELOP BAY 8 FOR THE LOWER MONUMENTAL LINE	6	\$ 2,500,000	5	16	21
		3502	00003502 CAPT JACK SUB - MILKA AND/OR SEISMIC UPGRADES ON 500-KV PCBS	6	\$ 150,000	9	avg	avg
		3712	LAGRANDE SUBSTATION - ADD THREE 230KV BREAKERS	6	\$ 650,000	13	12	25
		3293	HORSE HEAVEN SUB -230 kV BREAKER ADDITIONS	5	\$ 700,000	9	15	24
		3291	BADGER CANYON SUB -115KV PCB & RELAY PACKAGE ADDITION	4	\$ 301,000	8	15	23
		3296	SACAJAWEA SUBSTATION -BREAKER ADDITION	4	\$ 480,000	11	13	24
	Security Enhancements	3468	SECURITY SYSTEM PHYSICAL ENHANCEMENTS FOR 12 CRITICAL FACILITIES	6	\$ 1,684,000	4	13	17
		3470	SECURITY SYSTEM LEVEL 2 PHYSICAL ENHANCEMENTS FOR 2 CRITICALSITES	5	\$ 718,390	4	13	17
	Specific Projects	3547	SEISMIC MITIGATION OF 500KV RIGID BUS RISERS: PHASE 1	4	\$ 255,000	14	19	33
		3551	SEISMIC MITIGATION OF 230KV SUBSTATIONS	4	\$ 530,000	14	24	38
		3559	DITTMER - (CCGO) MICROWAVE TOWER SEISMIC HARDENING	4	\$ 57,000	15	14	29
		3564	DITTMER - (CCGO) BUILDING SEISMIC HARDENING	4	\$ 612,000	17	15	32
	System Controls	3307	PORT ANGELES - UPGRADE 69KV BUS PROTECTION	5	\$ 381,000	18	18	36
		3310	OLYMPIA - UPGRADE TO B-682 RELAY	4	\$ 28,000			

Example of Projects

- Wood Poles
- Salem Substation Install Electrical Barrier Fencing

FY08 to FY09 Capital

Capital Program

(\$ in Thousands)

Capital Program Levels FY08-09

Program Description	Energization Date	FY 2008	FY 2009
MAIN GRID			
Line Relocations on Tribal Lands	On Going	3,740.1	3,815.6
Seattle Area 500/230 kV Bank	2010	213.7	2,180.4
Olympic Peninsula Reinforcement	2009	12,556.0	12,809.6
Shelton-Fairmount 230KV line	2012	0.0	1,090.2
I-5 Corridor upgrades	2011	5,343.0	10,901.8
Libby-Troy Rebuild	2009	11,540.8	981.2
Other Associated Gen Integration	On Going	5,000.0	5,000.0
Communications moved to Corporate		(41.0)	(42.0)
NERC Criteria Compliance	On Going	15,000.0	15,000.0
System Reactive Facilities	On Going	10,000.0	10,000.0
Various Additions	On Going	10,000.0	10,000.0
Total Main Grid		73,352.6	71,736.8

Capital Program

(\$ in Thousands)
(Continued)

Capital Program Levels FY08-09

AREA & CUSTOMER SERVICE			
Lower Valley Reinforcement (Caribou)	2008	8,121.3	0.0
Madison Shunt Cap	2008	480.9	0.0
City of Centralia		8,548.8	0.0
Misc. Line Upgrade	On Going	4,274.4	4,360.7
Customer Service Items	On Going	4,000.0	4,000.0
Total Area & Customer Srvc		25,425.4	8,360.7
UPGRADES & ADDITIONS			
System Controls	On Going	7,480.2	7,631.3
Celio Upgrades		13,784.9	7,086.2
CC Systems	On Going	5,343.0	5,450.9
Fiber Optics (Incls Terminations)	On Going	16,028.9	10,901.8
Misc Sub Additions	On Going	5,000.0	5,000.0
Total Upgrades & Additions		47,637.0	36,070.2

Capital Program

(\$ in Thousands)
(Continued)

Capital Program Levels FY08-09

SYSTEM REPLACEMENTS			
Nonelectric Plant Replcmts	On Going	3,205.8	3,270.5
Security Enhancements		3,953.8	4,033.7
Transmission Line Replcmts	On Going	1,068.6	1,090.2
Wood Pole Replacement	On Going	6,411.6	6,541.1
NCI Replacements	On Going	320.6	327.1
Spacer Damper Replacements	On Going	9,617.4	9,811.6
Substation Replcmts	On Going	9,617.4	9,811.6
System Protection Replcmts	On Going	7,480.2	7,631.3
Pwr Sys Cntrl Replcmts	On Going	7,480.2	7,631.3
Total System Replacements	On Going	49,155.4	50,148.4
Aircraft Replacement	2009	6,945.9	7,086.2
Tools and Equipment	On Going	6,500.0	6,500.0
Emergency Funds	On Going	5,000.0	5,000.0
Total System Replacements		67,601.3	68,734.5

Capital Program

(\$ in Thousands)
(Continued)

Capital Program Levels FY08-09

INDIRECTS			
TSD Program Indirect		21,803.8	22,244.1
TSD MS&A		8,865.6	9,044.7
Support Services Cap Distribution		10,639.3	10,854.2
Total TBL Indirects		41,308.7	42,143.0

Capital Program

(\$ in Thousands)
(Continued)

Capital Program Levels FY08-09

AFUDC			
AFUDC		16,242.0	16,074.0
Total AFUDC		16,242.0	16,074.0
CORPORATE OVERHEAD			
Corporate Distributions		23,258.2	23,458.8
Total Corporate Overhead		23,258.2	23,458.8
SUB TOTAL TBL CAPITAL (INDIRECT)		80,808.9	81,675.8
TOTAL TBL CAPITAL REQUIRING BORROWING AUTHORITY		290,061.3	262,138.0

Capital Program

(\$ in Thousands)
(Continued)

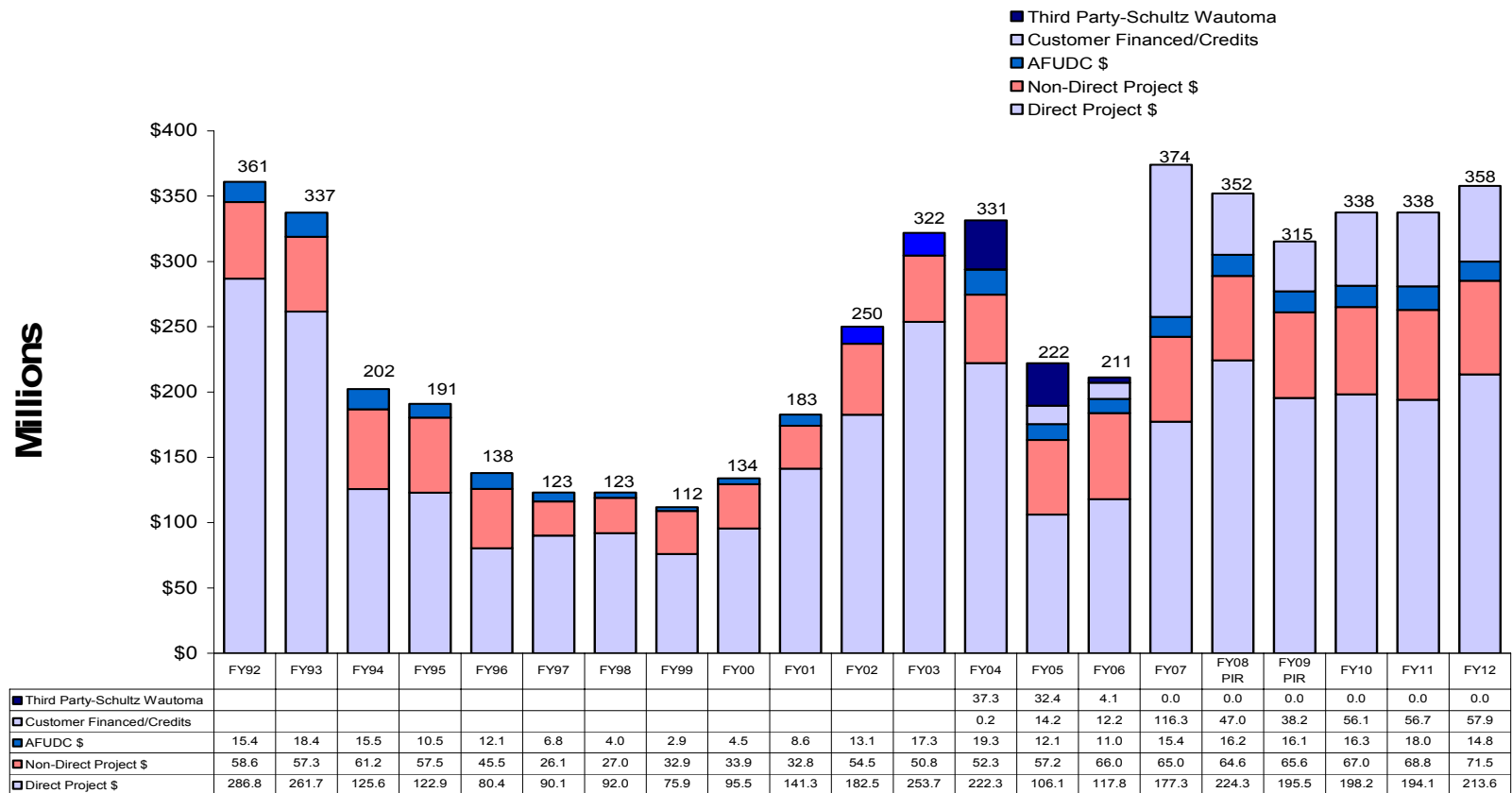
Capital Program Levels FY08-09

Non-Borrowing Authority Items			
Plant Funded from Revenues & Third Party			
Generator Interconnection		42,743.8	38,156.4
COI Addition Project	2008	4,274.4	0.0
Revenue Financed Projects		15,000.0	15,000.0
Total Plant Funded from Revenues & Third Party		62,018.2	53,156.4
Projects Funded in Advance		13,400.0	22,900.0
Total Non-Borrowing Authority Items		75,418.2	76,056.4
TOTAL TBL CAPITAL		365,479.6	338,194.4

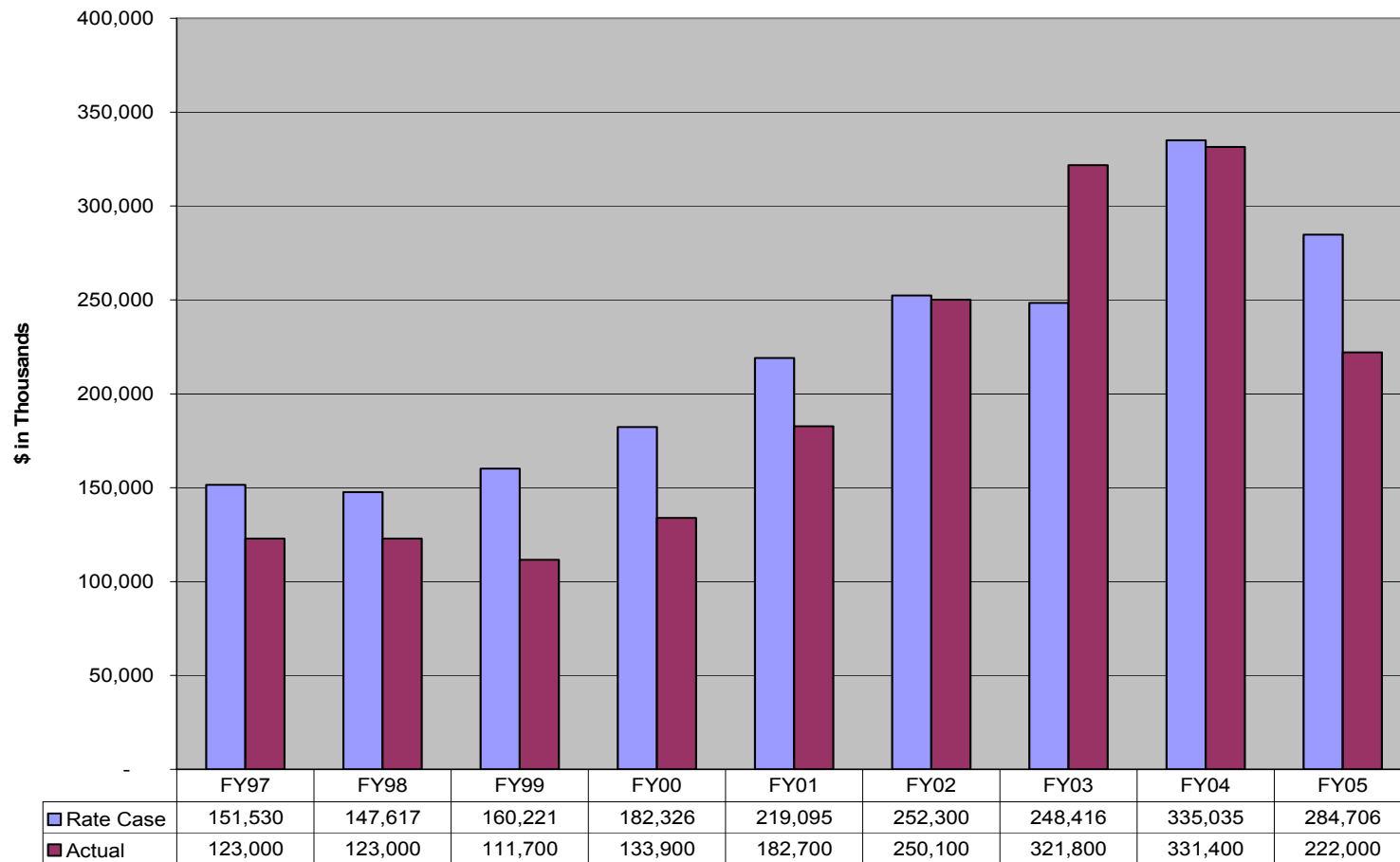
1/ Other Capital is included in Main Grid on graphs for reporting purposes

Capital Comparisons of Actuals Compared to Rate Case

Capital History FY1992 to FY2012 (\$ in Millions)



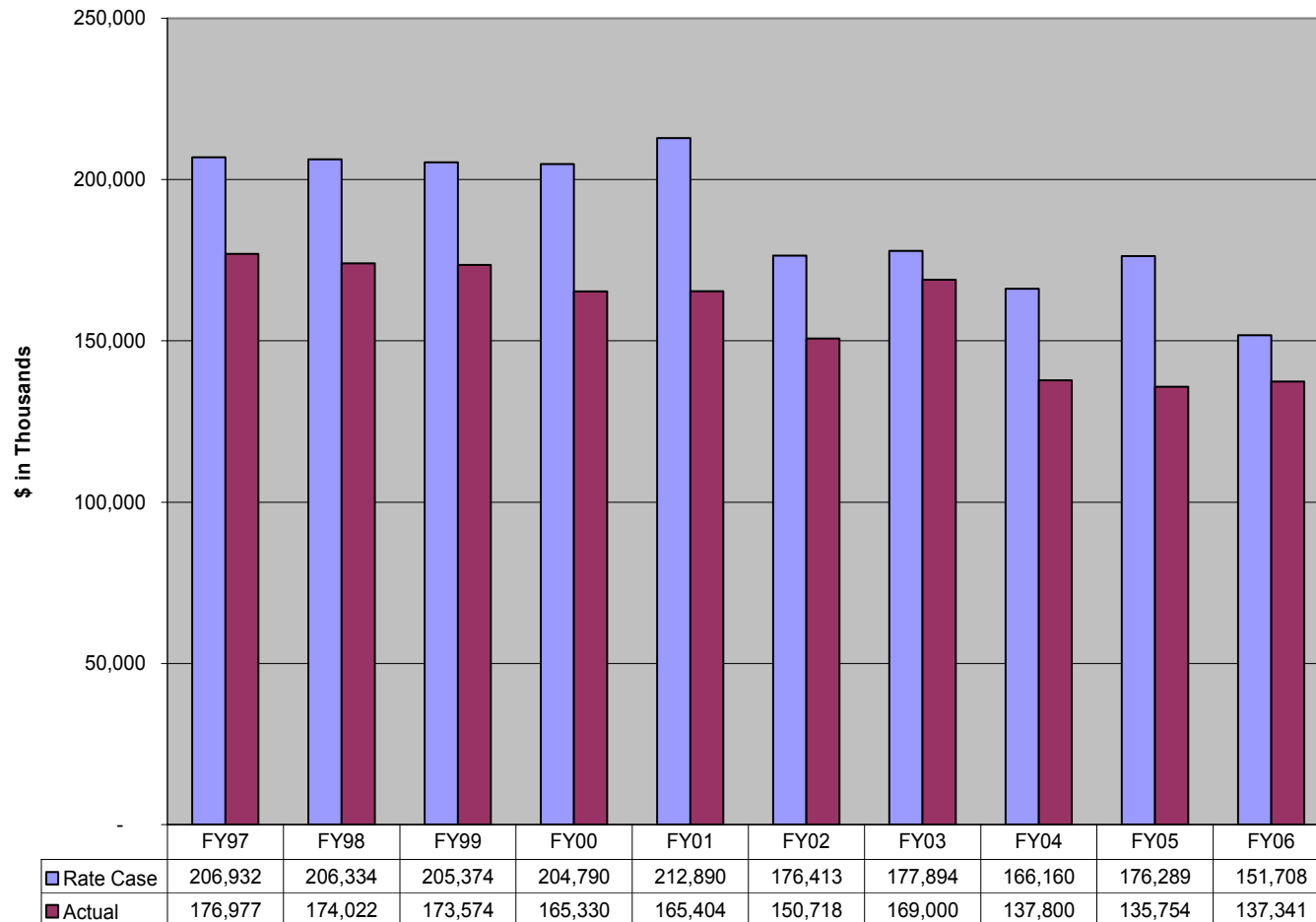
BPA Transmission Business Line Capital Investment in Utility Plant Actuals vs Rate Case Revenue Requirement



BPA Transmission Business Line

Net Interest Expense

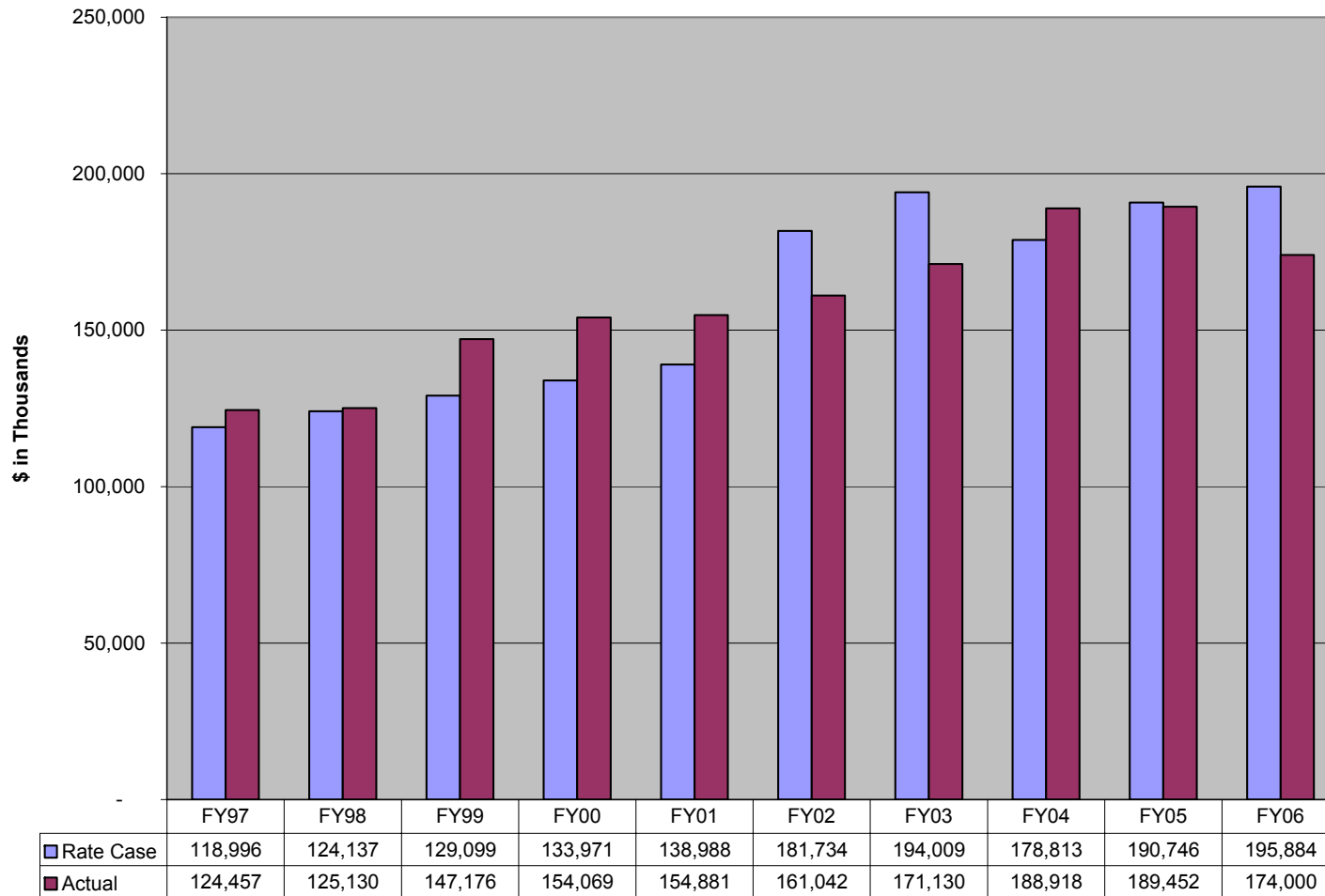
Actuals vs Rate Case Revenue Requirement



BPA Transmission Business Line

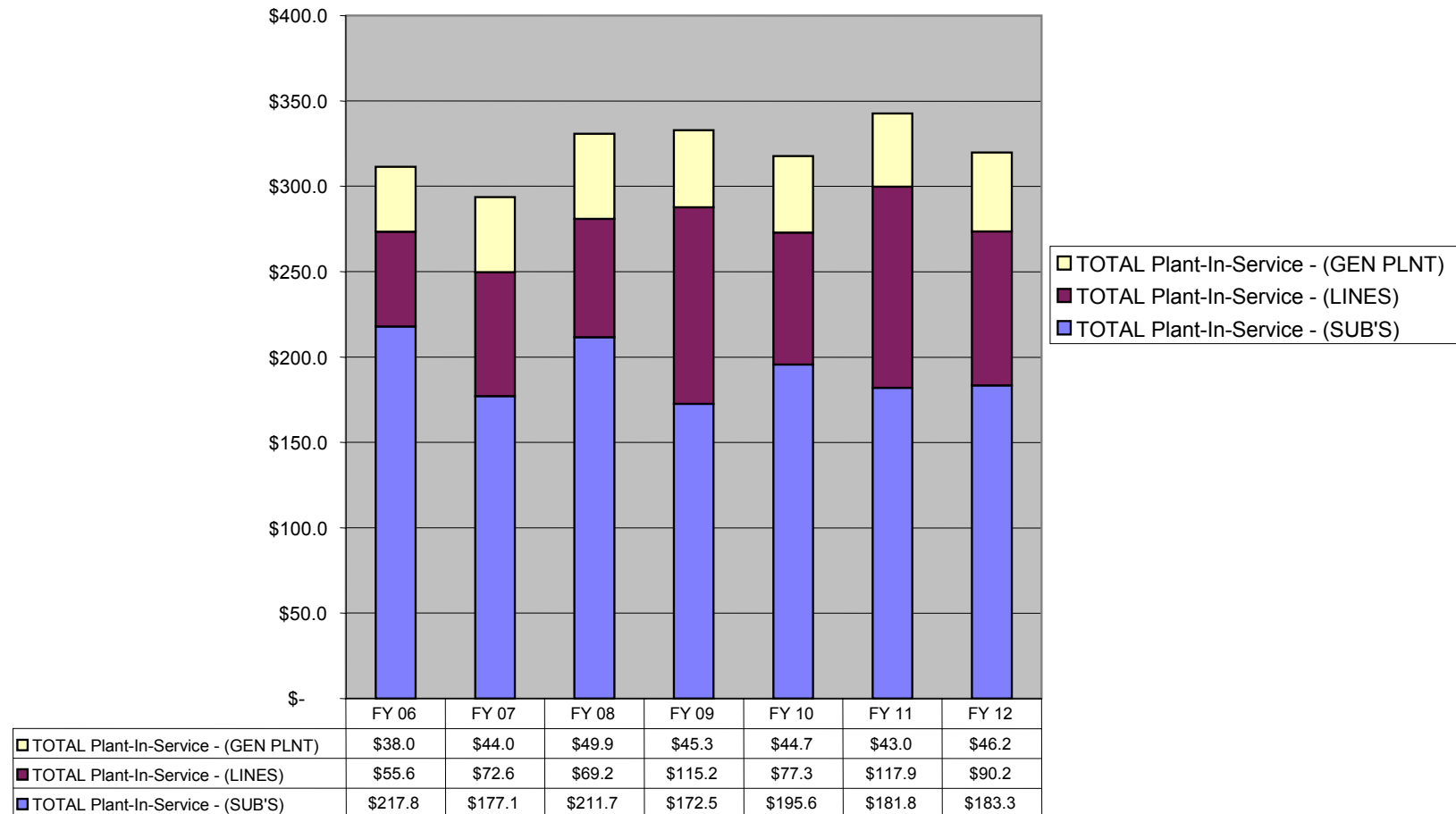
Depreciation Expense

Actuals vs Rate Case Revenue Requirement



Plant in Service 2006-2012

(\$ in Millions)



TBL Contact Information/ How to Comment

For more information on PIR:

- Web site:
http://transmission.bpa.gov/business/Customer%5FForums%5Fand%5FFeedback/Programs_in_Review/pir2006.cfm
- Phone: 1-800-622-4519

To submit comments:

- Web site: www.bpa.gov/comment
- E-mail: comment@bpa.gov
- Fax: 503-230-3285
- Mail:

BPA Public Involvement-DKC-7

re: Programs in Review

P.O. Box 14428

Portland, OR 97293-4428

BPA Financial Disclosure Information

- All FY06-12 information was provided in July 2006 and cannot be found in the BPA-approved Agency Financial Information but is provided for discussion or exploratory purposes only as projections of program activity levels, etc.
- All FY92-05 information was provided in July 2006 is consistent with audited actuals that contain BPA-approved Agency Financial Information.

Appendix

Income Statement in Standardized Report Format as of May 31, 2006

	A	B	C <Note 1	D	E	F	G	H
	Actuals: FY 2005	Actuals: FYTD 2005	Rate Case: FY 2006	Target SOY: FY 2006	Actuals: May 2006	Actuals: FYTD 2006	Forecast: Current EOY	FYTD Actuals per Target SOY
Operating Revenues								
Sales	\$500,030	\$332,632	\$595,190	\$590,222	\$47,892	\$398,700	\$595,042	67.6%
Miscellaneous Revenues	27,353	15,295	30,302	24,953	3,207	19,311	30,430	77.4%
Inter-Business Unit Revenues	107,147	67,107	102,870	112,916	20,344	92,828	125,586	82.2%
Total Operating Revenues	634,530	415,034	728,361	728,092	71,443	510,840	751,058	70.2%
Operating Expenses								
Transmission Operations								
TBL System Operations								
INFORMATION TECHNOLOGY	977	458	10,130	23	103	924	1,344	4104.8%
POWER SYSTEM DISPATCHING	8,188	5,046	9,800	9,342	576	5,543	8,521	59.3%
CONTROL CENTER SUPPORT	8,431	5,505	7,770	9,237	912	5,945	8,716	64.4%
TECHNICAL OPERATIONS	2,769	1,935	3,620	3,365	381	2,105	2,929	62.6%
SUBSTATION OPERATIONS	17,265	11,733	18,193	16,561	2,097	12,070	17,091	72.9%
Sub-Total	37,629	24,676	49,513	38,528	4,069	26,587	38,601	69.0%
TBL Scheduling								
MANAGEMENT SUPERVISION & ADMINISTRATION	617	208	356	600	100	529	757	88.2%
RESERVATIONS	263	187	300	321	35	233	310	72.7%
PRE-SCHEDULING	575	379	740	629	71	438	636	69.7%
REAL-TIME SCHEDULING	3,456	2,331	3,206	4,024	353	2,360	3,918	58.6%
SCHEDULING TECHNICAL SUPPORT	4,199	2,613	6,215	4,977	183	1,555	2,929	31.2%
SCHEDULING AFTER-THE-FACT	404	294	653	332	22	223	358	67.2%
Sub-Total	9,514	6,012	11,470	10,882	764	5,338	8,909	49.1%

<Note 1 The TBL groupings of expenses by programs and sub-programs for FY 2006 estimates, developed as part of the FY 2006 Rate Case, are reconstituted to match the programs and sub-programs groupings shown on this report.

Income Statement in Standardized Report Format as of May 31, 2006

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TBL Marketing and Business Support								
TRANSMISSION SALES	2,085	1,330		2,500	184	1,492	2,263	59.7%
MKTG EXECUTIVE OFFICE								
MKTG INTERNAL OPERATIONS	540	346	1,060	966	58	381	573	39.4%
MKTG TRANSMISSION FINANCE	663	329	760	874	53	436	701	49.8%
MKTG CONTRACT MANAGEMENT	1,842	1,270	2,007	2,205	144	1,118	1,654	50.7%
MKTG TRANSMISSION BILLING	1,552	997	2,006	1,913	127	973	1,542	50.9%
MKTG BUSINESS STRAT & ASSESS	2,575	1,699	2,192	2,787	255	1,772	2,635	63.6%
MARKETING IT SUPPORT	98	57	2,585	1	52	91	60	9143.6%
MARKETING AND SALES	745	759	2,243	5	(1,011)	344	2,255	7601.3%
METER DATA	919	688	1,922	1,252	59	409	650	32.7%
Marketing Sub-Total	11,019	7,476	14,775	12,502	(78)	7,016	12,334	56.1%
EXECUTIVE AND ADMIN SERVICES	5,578	3,682	9,944	4,561	661	3,560	4,879	78.0%
STAFF MANAGEMENT (HR)	483	(30)	416			(431)	(431)	
LEGAL SUPPORT	1,632	1,010		2,013	120	1,054	2,013	52.3%
TBL INTERNAL GENERAL & ADMINISTRATIVE	5,435	3,343	3,098	5,688	1,220	4,918	7,608	86.5%
SUPPORT FOR SHARED SERVICES PRODUCTS	1	1						
AIRCRAFT SERVICES	736	525	743	1,059	112	730	1,009	69.0%
LOGISTICS SERVICES	4,054	2,551	3,700	3,254	83	2,623	4,549	80.6%
SECURITY ENHANCEMENTS	401	240	1,007	382	112	427	507	111.6%
Business Support Sub-Total	18,318	11,321	18,908	16,958	2,308	12,880	20,135	76.0%
Transmission Operations Sub-Total	76,480	49,484	94,666	78,870	7,063	51,822	79,979	65.7%

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Transmission Maintenance								
TBL System Maintenance								
NON-ELECTRIC MAINTENANCE	7,321	4,868	9,244	7,799	752	5,338	8,296	68.4%
SUBSTATION MAINTENANCE	16,249	10,483	14,810	16,202	2,125	12,108	16,929	74.7%
TRANSMISSION LINE MAINTENANCE	15,731	10,691	16,290	17,688	1,463	11,175	16,918	63.2%
SYSTEM PROTECTION CONTROL MAINTENANCE	8,621	6,053	8,080	8,987	1,120	6,288	8,718	70.0%
POWER SYSTEM CONTROL MAINTENANCE	7,791	5,277	8,110	8,177	927	5,887	8,480	72.0%
JOINT COST MAINTENANCE	208	165		196	24	70	67	35.7%
SYSTEM MAINTENANCE MANAGEMENT	6,427	2,464	6,120	7,141	(982)	2,455	6,009	34.4%
ROW MAINTENANCE	8,758	4,133	13,465	12,369	735	4,589	11,343	37.1%
HEAVY MOBILE EQUIP MAINT	1,927	1,260	1,278	2,141	320	1,576	2,191	73.6%
TECHNICAL TRAINING	2,462	1,665	2,969	2,578	221	1,503	2,183	58.3%
Sub-Total	75,496	47,060	80,366	83,277	6,706	50,989	81,133	61.2%
TBL Environmental Operations								
ENVIRONMENTAL POLICY/PLANNING	1,028	738	1,286	1,250	112	690	1,227	55.2%
ENVIRONMENTAL ANALYSIS	26	14			5	25	35	
POLLUTION PREVENTION AND ABATEMENT	3,008	1,946	3,290	3,465	188	1,848	3,457	53.3%
Sub-Total	4,062	2,698	4,576	4,714	305	2,563	4,719	54.4%
Transmission Maintenance Sub-Total	79,557	49,758	84,942	87,991	7,011	53,551	85,852	60.9%
Transmission Engineering								
TBL System Development								
RESEARCH & DEVELOPMENT	2,362	1,316	3,331	3,330	122	1,267	2,595	38.0%
TSD PLANNING AND ANALYSIS	2,770	1,595	1,524	2,555	302	2,043	2,765	80.0%
CAPITAL TO EXPENSE TRANSFER	4,490	3,506	4,000	4,000	62	4,194	5,862	104.9%
REGULATORY & REGION ASSOC FEES	850		700	1,100	83	1,371	1,881	124.6%
Sub-Total	10,472	6,417	9,555	10,985	569	8,875	13,102	80.8%
Transmission Engineering Sub-Total	10,472	6,417	9,555	10,985	569	8,875	13,102	80.8%

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Income Statement in Standardized Report Format as of May 31, 2006

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TBL Transmission Acquisition and Ancillary Services								
TBL BBL Acquisition and Ancillary Products and Services								
ANCILLARY SERVICES PAYMENTS	64,341	42,922	64,485	65,228	5,846	43,967	65,676	67.4%
OTHER PAYMENTS TO PBL	3,848	2,566	3,544	3,554	315	2,517	3,775	70.8%
STATION SERVICES PAYMENTS	4,700	3,133	3,200	3,200	267	2,135	3,204	66.7%
Sub-Total	72,889	48,621	71,229	71,982	6,428	48,619	72,655	67.5%
TBL Non-BBL Acquisition and Ancillary Products and Services <Note 2								
LEASED FACILITIES	4,418	3,210	12,614	11,656	657	3,468	11,538	29.8%
GENERAL TRANSFER AGREEMENTS (settlement)	624	403	912	912	4	398	741	43.7%
NON-BBL ANCILLARY SERVICES	1,379	362	8,660	8,660	861	4,965	7,403	57.3%
Sub-Total	6,420	3,975	22,186	21,228	1,521	8,831	19,682	41.6%
TBL Trans. Acquisition and Ancillary Services Sub-Total	79,310	52,595	93,415	93,210	7,949	57,450	92,338	61.6%
Transmission Reimbursables								
TBL Reimbursables								
EXTERNAL REIMBURSABLE SERVICES	10,717	6,312	10,000	8,265	2,973	14,041	13,379	169.9%
INTERNAL REIMBURSABLE SERVICES	749	408		1,735	152	489	1,133	28.2%
Sub-Total	11,467	6,721	10,000	10,000	3,125	14,530	14,512	145.3%
Transmission Reimbursables Sub-Total	11,467	6,721	10,000	10,000	3,125	14,530	14,512	145.3%
BPA Internal Support								
Additional Post-Retirement Contribution	13,250	8,833	11,550	11,550	967	7,733	11,550	67.0%
Corporate G & A (excludes direct project support)	54,100	36,823	27,559	68,654	5,316	39,651	69,794	57.8%
Shared Services (excludes direct proj sup)	7,484	5,042	26,221			1		
BPA Internal Support Subtotal	74,834	50,698	65,330	80,204	6,282	47,386	81,344	59.1%

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<Note 2 Beginning in FY 2004, consolidated actuals reflect the inclusion of transactions associated with a Variable Interest Entity (VIES), which is in accordance with the FASB Interpretation No. 46 (FIN 46) that is effective as of December, 2003. VIES information is not included in rate case, budget and forecast data.

Income Statement in Standardized Report Format as of May 31, 2006

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Other Income, Expense, and Adjustments								
Bad Debt Expense	487	500			2	40	36	
Other Income, Expenses, Adjustments	(578)	(612)			(11)	(83)	(67)	
Capital Projects with Expense Accounts		21			()			
Undistributed Reduction								
Non-Federal Debt Service <Note 2	1,555		(2,680)	(2,680)	1,775	3,647	(1,881)	336.1%
Depreciation	189,452	126,810	195,884	183,396	12,888	114,260	174,000	62.3%
Amortization <Note 2 <Note 3	49	33			12	185	48	
Total Operating Expenses	523,085	342,425	551,112	541,977	46,664	351,662	539,263	64.9%
Net Operating Revenues (Expenses)	111,445	72,609	177,249	186,114	24,779	159,178	211,796	85.5%
Interest Expense								
Interest on Federal Investment								
Appropriated	48,150	32,100	48,047	46,429	3,869	30,952	46,435	66.7%
Capitalization Adjustment	(18,968)	(12,645)	(18,968)	(18,968)	(1,581)	(12,645)	(18,968)	133.3%
Gross Bonds Interest Expense	103,318	70,735	122,862	106,924	8,304	65,797	99,254	61.5%
Interest Earned on BPA Fund	(8,890)	(6,404)	(11,136)	(11,044)	(1,346)	(7,235)	(11,880)	134.5%
Debt Service Reassignment Interest	25,080	16,781	25,656	33,079	2,736	21,884	32,800	66.2%
AFUDC	(12,936)	(9,255)	(14,753)	(10,219)	(794)	(6,537)	(10,300)	136.0%
Net Interest Expense	135,754	91,312	151,708	146,201	11,188	92,216	137,341	63.1%
Total Expenses	658,838	433,738	702,820	688,178	57,852	443,879	676,604	64.5%
Net Revenues (Expenses) from Continuing Operations	(24,309)	(18,703)	25,541	39,913	13,591	66,961	74,455	167.8%

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<Note 3 Includes amortization of FAS71, Regulatory Assets.

Financial Highlights

Revenue Analysis as of May 31, 2006

FISCAL-YEAR-TO-DATE REVENUES – COMPARISON TO START-OF-YEAR

- In the accounting records, revenues were \$23M more than the start-of-year and \$9M more than the 2nd quarter forecasts. The month of May generated \$71M of revenue recorded that was \$6M to \$9M more than expected. The additional revenue was due to increased short-term transmissions sales, increased reimbursable revenue, and correction of the lag factor.
- A \$1.4M downward adjustment for the PTP LT Canadian Entitlement Agreement with PBL stills needs to be recorded.
- From a performance view or billing records, revenues were over the start-of-year by about \$25.6M or 24.2M after the 1.4M correction of Canadian Entitlement Agreement. Major variances from the start-of-year forecast from a performance view by product group are:
 - i. Network \$13.6M
 - ii. Southern Intertie \$1.9M
 - iii. Ancillary Services \$5.8M
 - a. Ancillary (Tx) \$3.7M
 - b. Ancillary (Control Area) \$2.1M
 - iv. Other Revenues \$3.1M
 - v. PCS, Fiber and Reimbursable \$1.1M

Financial Highlights

Revenue Analysis as of May 31, 2006

FISCAL-YEAR-TO-DATE PERFORMANCE REVENUES – COMPARISON TO START-OF-YEAR FORECAST

Short-term Network and Intertie sales are \$16.7M and \$1.1M above forecast respectively Fiscal Yea-To-Date. The high short-term sales are attributed to favorable hydro conditions in December, January, April and May.

- The majority of short-term Network revenues are from PBL, who has purchased \$16.1M in short-term point-to-point services year-to-date. TBL has collected \$25.4M in short-term point-to-point revenue through May.
- Ancillary Services \$5.9M above forecast. Ancillary Service revenues closely track the direction of Network and Intertie transmission sales.
- NT revenues are approximately \$6.2M (-8.5%) below forecast. This largely due to:
 - A milder than normal winter.
 - Export sales/wheeling have been driving total transmission system load (TTSL), not in-region load peaks. Load during hour of TTSL are lower than in start-of-year forecast.
- Much of the variance in other revenues came from reservation fees of \$2.0M, when customers extended their IS and PTP contracts, and \$0.8M under-forecast error in the start-of-year forecast.
- A downward adjustment to PTP revenues of around \$1.4M is anticipated associated with the PBL for the period from Dec. '05 thru Feb. '06 for the final revision of LTF Canadian Entitlement billings to PBL. Net of this adjustment, TBL is running \$20.9M above the start-of-year forecast year-to-date.

Financial Highlights

Expense Analysis as of May 31, 2006

OPERATING EXPENSES FISCAL-YEAR-TO-DATE

- **May's** operating expenses were \$34M or \$6M higher than the 2nd quarter forecast of \$28M. The primary contributors were the reimbursable program by about \$2M, the KEMA contract of \$1.2M, and non federal debt service of \$1M. There were slight increases in a number of areas that appear to be mostly timing differences.
- **FISCAL-YEAR-TO-DATE** - After eight months, operating expenses of \$237.2M were \$2M higher than the expected \$235M at 2nd quarter. Key factors :
 - i. Corporate Distributions - \$6.0M Lower
 - ii. Reimbursable Expenses - \$4.8M Higher
 - iii. Ancillary- Operating Reserves - \$1M Higher
 - iv. Other Transmission Programs - \$2.2M Higher
 - KEMA Contract - \$1.2M
 - Capital to expense shifts - \$1M
 - Non federal debt service - \$1M

Financial Highlights

Expense Analysis as of May 31, 2006

OPERATING EXPENSES FISCAL-YEAR-TO-DATE (Continued)

When compared to start of year, operating expenses were \$9M higher.
Key factors:

- i. Corporate Distributions - \$6.1 Lower
- ii. Reimbursable Expenses - \$7.8M Higher
- iii. Ancillary- Operating reserves - \$1M Higher
- iv. Transmission Programs - \$6.3M Higher
 - Capital to Expense Shifts - \$3M Higher
 - Regulatory Fees - \$.4M Higher
 - Hourly Wage Increase (FY05 & FY 06) - \$.5M Higher
 - Inventory Adjustments - \$.6M Higher
 - KEMA Contract - \$1.2M Unplanned
 - Timing & Shaping Differences - \$.4M Lower
 - Non federal debt service -\$1M Higher

Financial Highlights

Expense Analysis as of May 31, 2006

OPERATING EXPENSES (Continued)

ADDITIONAL NOTES

- \$1.2M of inventory adjustments were made as follows:
 - i. \$612.2K of Obsolete Inventory
 - ii. (\$12.6K) of Cycle Count Adjustments
 - iii. \$640.1K of Items Disposed or Scrapped
- Additional costs were announced that will be recorded in the near future for the hourly wage settlement for FY 2005 and FY 2006 and un-costed direct hotel charges, mostly from FY 2005. These adjustments will most likely be made in June. An accrual was made in May to accurately report these costs.
- Restoration of the Chief Jo-Sickler Line (estimated @ \$1.3M) was recorded against capital and must be transferred to Transmission Line Maintenance. This transfer will be made in June.
- Write-off of PFIA reimbursable construction work for Duke Energy of \$1.6M as an expense and record payment of \$ 1.6M as miscellaneous revenue/credit.

Capital Investment Drivers

Grid Reliability

Operates and maintains a reliable transmission system. Invests in the transmission grid to prevent cascading outages. This includes investments for new facilities/equipment and for replacement of existing facilities/equipment that meet established replacement policy/criteria.

Availability

Ensures the availability of the transmission grid such that transmission users are able to use the currently configured transmission grid in accordance with their contract rights. Makes investments to minimize planned outages and avoid line de-ratings. This includes investments for new facilities/equipment and for replacement of existing facilities/equipment that meet established replacement policy/criteria

Sufficiency/Adequacy

Ensures grid transmission sufficiency and adequacy to comply with open access requirements. Makes investments as required by new or existing contract demands. This includes investments for new facilities/equipment and for replacement of existing facilities/equipment that meet established replacement policy/criteria.

Capital Investment Drivers

Environment

Manages hazardous substances in the environment consistent with regulatory guidelines and to minimize risk to the environment from BPA transmission facilities.

Makes investments to prevent or reduce the release of hazardous substances and oil discharges; to replace equipment/facilities with more environmentally compatible equipment/facilities; and to protect or prevent degradation of ground and surface water resources.

Makes investments to minimize the environmental effect of access road, culverts and BPA facilities. Make investments to provide or maintain access to BPA transmission facilities while maintaining or improving environmental conditions and achieving regulatory compliance.

Capital Investment Drivers

Safety

Assures that employee and public safety is not compromised in the operation, maintenance, and construction of BPA's transmission system. Makes investments in replacements or additions that minimize risk to employees or the public, and investments in tools and work equipment necessary for employees to safely perform their duties

Internal Operations

The TBL will provide the necessary vehicles, tools, workspace, and equipment to improve the overall workplace environment.

Rating Criteria for Capital Project Proposals

Probability Scoring

4 Known that it will definitely occur this year

Information submitted in PAR indicates event will definitely occur within the coming year or project needs to be started in the coming year in order to be successfully completed by when it is required.

3 High Probability of Occurrence or Need this year

Information submitted in PAR indicates event probably will occur within the coming year or project needs to be started in the coming year in order to be successfully completed by when it is required.

2 Medium Probability of Occurrence or Need

Information submitted in PAR indicates event probably will occur within the coming 3 years or project needs to be started within the next 3 years in order to be successfully completed by when it is required.

1 Low Probability of Occurrence or Need

Information submitted in PAR does not indicate event probably will occur within the coming 3 years.

Rating Criteria for Capital Project Proposals

Consequence Scoring

4 Unacceptable

- Loss of Life or permanent personal injury expected within the next year.
- Expected Separation of the Main Grid or Wide Spread Outages.
- There is a violation of WECC/NERC/FERC/BPA criteria *and* system capacities are limited or will be de-rated.
- There is significant quantity of historical performance data indicating there is significant impact on accomplishing the Strategy.
- There is a significant Net Revenue implication (failure to acquire new or loss of current revenue amount on the order of: >\$1M/year)
- Fail to realize value of a project that has a B/C ratio greater than or equal to 10 or documented savings of more than \$1M.
- There is a High Consequence based on a formal BPA accepted Risk Assessment methodology.
- There is imminent risk to the reliable operation of existing internal systems such that there is high impact on TBL functions to operate and market the transmission system.
- Mandated by Law, or WECC/NERC/FERC, or Executive agreements, which have a specific deadline and BPA is required to comply.
- The inability to obtain transmission interconnection is the primary obstacle preventing wind developers from constructing their projects and therefore becoming eligible for available tax credits, which are scheduled to expire on December 31, 2005.

Rating Criteria for Capital Project Proposals

Consequence Scoring

3 Highly Unwanted

- There is a substantiated safety concern - life threatening or personal injury, but cannot be predicted.
- Continuous Local Outages expected to occur.
- There is a violation of WSCC/NERC/FERC/BPA criteria but system capacities are neither limited nor subject to de-ratings.
- There is historical performance data indicating there is some impact on accomplishing the Strategy.
- There is a Net Revenue implication (Failure to acquire new or loss of current revenue amount on the order of: \$500k-\$999k/year)
- Fail to realize value of a project that has a B/C ratio greater than or equal to 5 or documented savings of more than \$100k.
- There is a Medium Consequence based on a formal BPA accepted Risk Assessment methodology.
- There is risk to the reliable operation of existing internal systems such that there is high impact on TBL functions to operate and market the transmission system.
- The inability to obtain transmission interconnection is one of few major obstacles preventing wind developers from constructing their projects and therefore becoming eligible for available tax credits, which are scheduled to expire on December 31, 2005.

Rating Criteria for Capital Project Proposals

Consequence Scoring

2 Unwanted

- There is an unsubstantiated/perceived safety concern - life threatening or personal injury.
- Momentary Local Outages expected to occur.
- WECC/NERC/FERC guidance violation, but BPA is not required to comply.
- Loss of efficiencies / Inconvenience in Operation or Maintenance of the system.
- There is limited historical performance data indicating there is a potential impact on accomplishing the Strategy.
- There is a Net Revenue implication (Failure to acquire new or loss of current revenue amount on the order of: \$50-499k/year)
- Fail to realize value of a project that has a B/C ratio greater than or equal to 2 or documented savings of more than \$10k.
- There is a Low Consequence based on a formal BPA accepted Risk Assessment methodology.
- There is risk to the reliable operation of existing internal systems such that there may be impact on TBL functions to operate and market the transmission system.
- The inability to obtain transmission interconnection is one of many obstacles, and farther downstream from other impediments, preventing wind developers from constructing their projects and therefore becoming eligible for available tax credits which are scheduled to expire on December 31, 2005.

Rating Criteria for Capital Project Proposals

Consequence Scoring

1 Minimal Impact

- There is an unsubstantiated/perceived safety concern - personal injury or property damage.
- Momentary Local Outages may occur.
- There are no violations of the BPA Reliability Criteria or Standards.
- There is little impact on accomplishing the Strategy.
- There is a Net Revenue implication (Failure to acquire new or loss of current revenue amount on the order of: < \$50k/year)
- Fail to realize value of a project that has a B/C ratio greater than or equal to 1 or documented savings of less than \$10k.
- There is no Consequence based on a formal BPA accepted Risk Assessment methodology.
- There is perceived risk to the reliable operation of existing internal systems such that there maybe impact on TBL functions to operate and market the transmission system.
- The wind developer is far from being in a position to begin construction on their project.

Calculation of RA Score for Prioritization Example:

- Step 1: Compute the Risk Reduction for each of the 6 categories:
 - Financial
 - Legal
 - Stakeholder
 - Environmental
 - Safety
 - Reliability
- Step2: Add the Risk Reduction scores from each of the categories together to get the total RA score for the PAR.
- Step 3: Average the RA scores for each grouping of scores in a portfolio.

Computing Risk Reduction

Example:

- When plotted on the risk maps:
 - The risk of not doing a project depicts a measurement of the current risk or increasing risk if nothing is done.
 - The risk of doing a project depicts a measurement of the risk that is eliminated by doing the project.
- Risk reduction should depict how risk is reduced by completing the project.
 - Risk reduction =
Risk of Not Doing – Risk of Doing

Risk of Not Doing the Project

Almost Certain	6	7	8	9	10
Likely	5	6	7	8	9
Possible	4	5	6	7	8
Unlikely	3	4	5	6	7
Rare	2	3	4	5	6
	Insignificant	Minor	Moderate	Major	Extreme

Risk of Doing the Project

Almost Certain	6	7	8	9	10
Likely	5	6	7	8	9
Possible	4	5	6	7	8
Unlikely	3	4	5	6	7
Rare	2	3	4	5	6
	Insignificant	Minor	Moderate	Major	Extreme

Calculation of Risk Reduction
(Risk Reduction = Risk of Not Doing - Risk of Doing)

Almost Certain	6	7	8	9	10
Likely	5	6	7	8	9
Possible	4	5	6	7	8
Unlikely	3	4	5	6	7
Rare	2	3	4	5	6
	Insignificant	Minor	Moderate	Major	Extreme

Risk Reduction = Not Doing (8) - Doing (2) = 6

Management Oversight

- **All projects are monitored for**
 - Schedules, costs and special issues
 - Budget performance
 - The PAR (Project Authorization Request is the control document for capital funding process.

- **Major projects**
 - Capital is reported at monthly senior management meetings
 - Ad hoc meetings for sensitive public and environmental issues
 - Costs are tracked historically from approval to current status, material changes require prior approval
 - The PAR (Project Authorization Request is the control document for capital funding process.

Wind Integration

Transmission Business Line Generation Interconnection Projects PIR Capital Forecast

Detail for FY 2007:

Wind Project	Network Facility	Network Upgrade Cost Estimate (in millions)
White Creek	Rock Creek 500/230 kV Project	\$ 24.3
Klondike III/Biglow Canyon	John Day 230 kV	\$ 27.4
Combine Hills	Walla Walla - Pendleton 69kV	\$ 5.0
Seven Mile Hill	Seven Mile Hill Substation	\$ 2.8
Willow Creek Wind	Boardman 230kV Substation	\$ 5.5
Nine Mile Canyon III	Meter Point	\$ 0.1
Kittitas Valley Wind	Kittitas Valley 230kV Substation	\$ 7.1
Elkhorn Wind	La Grande 230kV Substation	\$ 3.1
Reardon	Tap Grand Coulee-Creston No.1 115kV Line	\$ 5.5
TOTAL FY07: 1/		\$ 80.7
1/ Assumed FY07 Energization Date		
Placeholder - FY08		\$ 42.7
Placeholder - FY09		\$ 38.2
Placeholder - FY10		\$ 55.6
Placeholder - FY11		\$ 56.7
Placeholder - FY12		\$ 57.9

Comparison of Capital Spending to Rate Case

BONNEVILLE POWER ADMINISTRATION
TRANSMISSION BUSINESS LINE
CAPITAL SPENDING COMPARISON OF ACTUALS TO RATE CASE
(\$ in Thousands)

FY1997 - FY2001 Rate Case

Revenue Requirement				
FY97	FY98	FY99	FY00	FY01

Actual Spending				
FY97	FY98	FY99	FY00	FY01

Capital Investment in Utility Plant	151,530	147,617	160,221	182,326	219,095	123,000	123,000	111,700	133,900	182,700
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FY2002- FY2003 Rate Case

Revenue Requirement	
FY02	FY03

Actual Spending	
FY02	FY03

Capital Investment in Utility Plant	252,300	248,416	250,100	321,800
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FY2004 - FY2005 Rate Case

Revenue Requirement	
FY04	FY05

Actual Spending	
FY04	FY05

Capital Investment in Utility Plant	335,035	284,706	331,400	222,000
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Comparison of Capital Spending to Rate Case

BONNEVILLE POWER ADMINISTRATION
TRANSMISSION BUSINESS LINE
NET INTEREST EXPENSE COMPARISON OF ACTUALS TO RATE CASE
 (\$ in Thousands)

FY1997 - FY2001 Rate Case	Revenue Requirement					Actual Spending			
	FY97	FY98	FY99	FY00	FY01	FY97	FY98	FY99	FY00
TBL NET INTEREST EXPENSE	206,932	206,334	205,374	204,790	212,890	176,977	174,022	173,574	165,330

FY2002- FY2003 Rate Case	Revenue Requirement		Actual Spending	
	FY02	FY03	FY02	FY03
TBL NET INTEREST EXPENSE	176,413	177,894	150,718	169,000

FY2004 - FY2005 Rate Case	Revenue Requirement		Actual Spending	
	FY04	FY05	FY04	FY05
TBL NET INTEREST EXPENSE	166,160	176,289	137,800	135,754

FY2006 - FY2007 Rate Case	Revenue Requirement		Actual Spending	
	FY06	FY07	FY06	FY07
TBL NET INTEREST EXPENSE	151,708	171,428	137,341	

Comparison of Capital Spending to Rate Case

BONNEVILLE POWER ADMINISTRATION
TRANSMISSION BUSINESS LINE
DEPRECIATION COMPARISON OF ACTUALS TO RATE CASE
(\$ in Thousands)

FY1997 - FY2001 Rate Case	Revenue Requirement					Actual Spending				
	FY97	FY98	FY99	FY00	FY01	FY97	FY98	FY99	FY00	FY01
DEPRECIATION	118,996	124,137	129,099	133,971	138,988	124,457	125,130	147,176	154,069	154,881
FY2002- FY2003 Rate Case	Revenue Requirement					Actual Spending				
	FY02	FY03				FY02	FY03			
DEPRECIATION	181,734	194,009				161,042	171,130			
FY2004 - FY2005 Rate Case	Revenue Requirement					Actual Spending				
	FY04	FY05				FY04	FY05			
DEPRECIATION	178,813	190,746				188,918	189,452			
FY2006 - FY2007 Rate Case	Revenue Requirement					Actual Spending				
	FY06	FY07				FY06	FY07			
DEPRECIATION	195,884	207,517				174,000				